

All,

The Department has reached consensus to seek approval of this export that was previously shared with congressional staffs. The attached draft certification is provided to you as a Tier 3 - 40-day review. We anticipate forwarding the case for AECA 36(b) statutory notification after culmination of the review period on 07/30/18. We will advise you upon conclusion of the Tier 3 review period but, as always, request your waiving of this review period if not needed for your internal deliberations. QME data was sent on 06/18/18.

V/R

Foreign Military Sales Team Chief
PM-RSAT
U.S. Department of State
202 [REDACTED]

**GOVERNMENT
EXHIBIT
8A-2**
23 Cr. 490 (SHS)

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Transmittal No. 18-AE

Notice of Proposed Issuance of Letter of Offer
 Pursuant to Section 36(b)(1)
 of the Arms Export Control Act, as amended

(i) (U) Prospective Purchaser: Government of Egypt

(ii) (U) Total Estimated Value:

Major Defense Equipment*	\$ 0 million
Other	<u>\$99 million</u>
TOTAL	\$99 million

(iii) (U) Description and Quantity or Quantities of Articles or Services under Consideration for Purchase:

Major Defense Equipment (MDE):
 Forty-six thousand (46,000) 120MM Target Practice – Tracer (M831A1) and 120MM Target Practice, Cone Stabilized, Discarding Sabot – (M865) Rounds
 Ten thousand (10,000) 120MM 4th-Generation Kinetic Energy-Tungsten (KE-W) A4 Armor-Piercing Fin-Stabilized Discarding Sabot with Tracer (APFSDS-T) Rounds

Non-MDE:
 Also included are four thousand five hundred (4,500) 120MM Inensitive Munitions High Explosive with Tracer (IM HE-T) tank rounds, field implementation, testing inspections, spares and repair parts, support and test equipment, field support publications and technical data, U.S. government and contractor engineering and logistics support services, personnel training and training equipment, quality assurance team support services, preparation of ammunition for shipment, ammunition delivery, component improvement program and repair, other associated equipment and support, and other related elements of logistical and program support.

(iv) (U) Military Department: Army (EG-B-VHH, EG-B-NGB, EG-B-VGS)

(v) (U) Prior Related Cases, if any: EG-B-VAX, EG-B-NFP, EG-B-NFX, EG-B-UWB

(vi) (U) Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid: None

(vii) (U) Sensitivity of Technology Contained in the Defense Article or Defense Services Proposed to be Sold: None

This document contains information exempt from mandatory disclosure under the Freedom of Information Act (FOIA).

PREPARED BY: USDP/DSCA/DSA/RAN, DATE: 13 March 2018

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(viii) (U) Date Report Delivered to Congress:

*As defined in Section 47(6) of the Arms Export Control Act.

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PREPARED BY: USDP/DSCA/DSA/RAN, DATE: 13 March 2018

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FOR OFFICIAL USE ONLY**POLICY JUSTIFICATION****(U) Egypt – 120MM Tank Rounds**

(U) The Government of Egypt has requested to buy forty-six thousand (46,000) 120MM Target Practice Tracer (M831A1) and 120MM Target Practice, Cone Stabilized, Discarding Sabot (M865) rounds and ten thousand (10,000) 120MM 4th-Generation Kinetic Energy-Tungsten (KE-W) A4 Armor-Piercing Fin-Stabilized Discarding Sabot with Tracer (APFSDS-T) rounds. Also included are four thousand five hundred (4,500) 120MM Inert Munitions High Explosive with Tracer (IM HE-T) tank rounds, field implementation, testing inspections, spares and repair parts, support and test equipment, field support publications and technical data, U.S. government and contractor engineering and logistics support services, personnel training and training equipment, quality assurance team support services, preparation of ammunition for shipment, ammunition delivery, component improvement program and repair, other associated equipment and support, and other related elements of logistical and program support. The estimated cost is \$99 million.

(U) This proposed sale will contribute to the foreign policy and national security of the United States by helping to improve the security of a friendly country that continues to be an important strategic partner in the Middle East.

(U) The proposed sale will improve Egypt's capability to meet current and future threats and provide greater security for its critical infrastructure. Egypt will use the 120MM IM HE-T cartridges to maintain a strategic munitions inventory for its M1A1 tank fleet and in support of operations against militants affiliated with the Islamic State of Iraq and Syria in the Sinai. They will use the target practice rounds to train M1A1 crews in proper crew procedures in a training environment using munitions that cost a fraction of tactical rounds and have nearly zero explosive or penetrating capability. Egypt has been producing this type of ammunition under an existing co-production agreement for approximately 15 years. Egypt intends to use the APFSDS-T rounds to replace older model 120MM KE-W, KE-W A1, and KE-W A2 ammunition to maintain a strategic munitions inventory for its M1A1 tank fleet. Egypt will have no difficulty absorbing these munitions into its armed forces.

(U) The proposed sale of the munition and support will not alter the basic military balance in the region.

(U) The prime contractor involved in this program is General Dynamics Ordnance and Tactical Systems, St. Petersburg, FL. There are no known offset agreements proposed in connection with this potential sale.

(U) Implementation of this proposed sale will involve multiple trips to Egypt involving up to six (6) U.S. Government and contractor representatives over a period of up to 5 years.

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(U) There will be no adverse impact on U.S. defense readiness as a result of this proposed sale.

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**18-AE Egypt
Foreign Military Sale
Preliminary Questions and Answers**

The Government of Egypt has requested to buy forty-six thousand (46,000) 120MM Target Practice – Tracer (M831A1) and 120MM Target Practice, Cone Stabilized, Discarding Sabot – (M865) rounds and ten thousand (10,000) 120MM 4th-Generation Kinetic Energy-Tungsten (KE-W) A4 Armor-Piercing Fin-Stabilized Discarding Sabot with Tracer (APFSDS-T) rounds. Also included are four thousand five hundred (4,500) 120MM Insensitive Munitions High Explosive with Tracer (IM HE-T) tank rounds, field implementation, testing inspections, spares and repair parts, support and test equipment, field support publications and technical data, U.S. government and contractor engineering and logistics support services, personnel training and training equipment, quality assurance team support services, preparation of ammunition for shipment, ammunition delivery, component improvement program and repair, other associated equipment and support, and other related elements of logistical and program support. The estimated cost is \$99 million.

1. Is this a new introduction, or upgrade to the current capability of the recipient nation?

This is a new introduction of the IM HE-T variant and the APFSDS-T KE-W but not a new introduction of 120mm ammunition. The IM HE-T compliments the M1A1's current main gun ammunition with an IM compliant full bore HE warhead capable of defeating a target set that includes bunkers, fortifications, light armor and personnel.

2. Is this a new introduction to the region? If no, who else possesses it?

Iraq, Kuwait, Saudi Arabia, and Egypt possess 120mm ammunition.

3. How is this proposed transfer appropriate to the recipient nation's needs, and how does this proposed transfer support U.S. national security and foreign policy interests, including regional stability? How does it contribute to increased access and influence, interoperability and/or burden sharing?

The tank cartridges will provide Egypt with 120mm ammunition needed to meet critical operational needs. The Egyptian Army will use these practice rounds for ongoing training and the munitions for current counterterrorism efforts, as well as any future similar missions.

4. How does the proposed recipient nation have the ability (HN or USG funded) to effectively field, support, and employ the requested item in accordance with its intended end use? Has it demonstrated the ability and will to protect the related technologies from unauthorized transfer or diversion?

This sale will be paid for using Foreign Military Financing funds.

We have confidence that Egypt has the ability and intent to maintain the security of these articles, will provide substantially the same degree of security protection afforded by the

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United States Government, and will use the equipment in a manner consistent with agreed upon end-use assurances.

5. Are comparable systems available from foreign suppliers?

There are other foreign suppliers of 120mm ammunition.

6. Are there any noteworthy impacts to U.S. industry and defense industrial base if the sale is approved, or if not?

Such a sale would be beneficial to the U.S. industrial base.

7. What is the estimated delivery timeline?

Delivery is expected 18-22 months after LOA signature.

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